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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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[X] Quarterly Report Under Section 13 or 15(d) f the Securities Exchange Act of 1934

For the quarterly period ended: March 21, 1992

MD 2-2233

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No.: 33-22829

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HOMELAND HOLDING CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	73-1311075
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

PROCESSED BY
MAY 8 1992

400 N.E. 36th Street
Oklahoma City, Oklahoma 73125
(Address of principal executive offices) (Zip Code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(405) 557-5500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 30, 1992.

Class A Common Stock: 35,092,200
Class B Common Stock: None

This document contains 16 pages
exhibits

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

HOMELAND HOLDING CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

ASSETS

	March 21, 1992	December 28, 1991
	(Unaudited)	
Current assets:		
Cash and temporary investments	$ 20,958	$ 5,046
Receivables	9,592	10,112
Inventories	89,256	91,736
Prepaid expenses and other current assets	5,319	4,695
Total current assets	125,125	111,589
Property, plant and equipment	199,903	199,248
Less accumulated depreciation and amortization	47,349	44,305
	152,554	154,943
Excess of purchase price over fair value of net assets acquired, net of amortization of $519 and $494 at March 21, 1992 and December 28, 1991, respectively	4,014	4,039
Other assets and deferred charges	15,209	9,907
Total assets	$ 296,902	$ 280,478

The accompanying notes are an integral part of these financial statements.

NORTHLAND HOLDING CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 21, 1992 (Unaudited)	December 28, 1991
Current liabilities:		
Accounts payable-trade	$ 30,072	$ 28,576
Salaries and wages	7,154	5,100
Taxes	6,908	7,492
Accrued interest payable	3,479	2,930
Other current liabilities	3,155	4,780
Current portion of long-term debt	1,250	-
Current portion of obligations under capital leases	2,425	2,425
Total current liabilities	54,443	51,303
Long-term obligations:		
Long-term debt	169,500	155,200
Obligations under capital leases	18,796	19,376
Other noncurrent liabilities	2,350	2,679
Total long-term obligations	190,646	177,255
Redeemable common stock, Class A $.01 par value, 4,213,211 shares at March 21, 1992 and 4,405,211 shares at December 28, 1991, at redemption value	10,154	10,616
Stockholders' equity:		
Common stock:		
Class A, $.01 par value, authorized - 40,500,000 shares, issued - 31,255,989 shares at March 21, 1992 and 31,063,989 shares at December 28, 1991, outstanding - 30,878,989 shares	313	311
Class B, $.01 par value, nonvoting, authorized - 40,500,000 shares, issued and outstanding - none	-	-
Additional paid-in capital	45,774	45,314
Accumulated deficit	(3,526)	(3,881)
Treasury stock, 377,000 shares at March 21, 1992 and 185,000 shares at December 28, 1991, at cost	(902)	(440)
Total stockholders' equity	41,659	41,304
Total liabilities and stockholders' equity	$ 296,902	$ 280,478

The accompanying notes are an integral part of these financial statements.

HOMELAND HOLDING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share amounts)
(Unaudited)

	12 weeks ended March 21, 1992	12 weeks ended March 23, 1991
Sales, net	$ 192,004	$ 177,674
Cost of sales	142,172	129,672
Gross profit	49,832	48,002
Selling and administrative	43,522	41,678
Operating profit	6,310	6,324
Interest expense	4,859	5,101
Income before income taxes and extraordinary items	1,451	1,223
Income taxes	-	217
Net income before extraordinary items	1,451	1,006
Extraordinary items	1,096	-
Net income	$ 355	$ 1,006
Net income before extraordinary items per common share	$0.04	$0.03
Extraordinary items per common share	0.03	-
Net income per common share	$0.01	$0.03
Weighted average shares outstanding	35,139,831	35,416,343

The accompanying notes are an integral part of these financial statements.

HOMELAND HOLDING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	12 weeks ended March 21, 1992	12 weeks ended March 23, 1991
Increase (decrease) in cash and temporary investments:		
Cash flows from operating activities:		
Net income	$ 355	$ 1,006
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,518	3,102
Amortization of financing costs	71	215
(Gain) loss on sale of assets	451	(20)
Amortization of beneficial interest in operating leases	54	54
Discount on note payable	(500)	-
Write-off of financing cost on long-term debt retired	371	-
Provision for losses on accounts receivable	(9)	59
Change in assets and liabilities:		
Decrease in receivables	529	2,819
(Increase) decrease in inventories	2,480	(1,514)
Increase in prepaid expenses and other current assets	(624)	(395)
Increase in other assets and deferred charges	(6,189)	-
Increase in accounts payable - trade	1,496	1,519
Increase in salaries and wages	2,054	938
Increase (decrease) in taxes	(504)	297
Increase in accrued interest payable	549	1,746
Decrease in other current liabilities	(1,625)	(4,483)
Decrease in other noncurrent liabilities	(307)	(79)
Net cash provided by operating activities	2,090	5,264
Cash flows used in investing activities:		
Capital expenditures	(1,186)	(3,842)
Net cash used in investing activities	(1,186)	(3,842)
Cash flows provided (used) by financing activities:		
Borrowings under senior secured floating rate note	45,000	-
Borrowings under senior secured fixed rate note	75,000	-
Payments on term note	(59,700)	(2,300)
Payments on subordinated debt	(12,250)	-
Net borrowings under revolving credit loans	(30,500)	(1,000)
Payments under notes payable	(1,500)	(9)
Principal payments under capital lease obligations	(580)	(723)
Payments to acquire treasury stock	(462)	(119)
Net cash provided (used) by financing activities	15,008	(4,151)

(Continued)

HOMELAND HOLDING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
(In thousands)
(Unaudited)

	12 weeks ended March 21, 1992	12 weeks ended March 23, 1991
Net increase (decrease) in cash and temporary investments	$ 15,912	$ (2,729)
Cash and temporary investments at beginning of period	5,046	1,386
Cash and temporary investments at end of period	$ 20,958	$ (1,343)
Supplemental information:		
Cash paid during the period for interest	$ 4,509	$ 3,031
Cash paid during the period for income taxes	$ 238	$ -
Supplemental schedule of noncash investing activities:		
Capital lease obligations assumed	$ -	$ -
Capital lease obligations retired	$ -	$ -

The accompanying notes are an integral part of these financial statements.

HOMELAND HOLDING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock		
	Shares	Amount	Capital	Deficit	Shares	Amount	Total
Balance, December 29, 1990	30,914	$ 309	$ 45,095	$ (6,095)	35	$ (83)	$ 39,226
Purchase of treasury stock	50	1	118	-	50	(119)	0
Net income	-	-	-	1,006	-	-	1,006
Balance, March 23, 1991	30,964	$ 310	$ 45,213	$ (5,089)	85	$(202)	$ 40,232
Balance, December 28, 1991	31,064	$ 311	$ 45,314	$ (3,881)	185	$(440)	$ 41,304
Purchase of treasury stock	192	2	460	-	192	(462)	0
Net income	-	-	-	355	-	-	355
Balance, March 21, 1992	31,256	$ 313	$ 45,774	$ (3,526)	377	$(902)	$ 41,659

The accompanying notes are an integral part
of these financial statements.

HOMELAND HOLDING CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Preparation of Consolidated Financial Statements.

The accompanying unaudited consolidated financial statements of Homeland Holding Corporation and Subsidiary (the "Company") reflect all adjustments consisting only of normal and recurring adjustments, except for the extraordinary items described below, which are, in the opinion of management, necessary to present fairly the consolidated financial position and the consolidated results of operations and cash flows for the periods presented. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the period ended December 28, 1991 and the notes thereto. Extraordinary items recognized in the 12 weeks ended March 21, 1992 consisted of the following nonrecurring charges and credits:

Premium on repurchase of $12.3 million in aggregate principal amount of the Company's 15-1/2% Subordinated Notes due November 1, 1997	$1,225,000
Unamortized financing costs relating to the Company's 15-1/2% Subordinated Notes Due November 1, 1997	371,000
Discount for prepayment of the $1.5 million on $5 million note payable to Furr's, Inc.	(500,000)
	$1,096,000

2. Accounting Policies.

The policies of the Company are summarized in the consolidated financial statements of the Company for the period ended December 28, 1991 and the notes thereto.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Comparison of Twelve Weeks Ended March 21, 1992 with Twelve Weeks Ended March 23, 1991.

Sales. Net sales for the 12 weeks ended March 21, 1992 increased 8.0% over the net sales of the corresponding period of 1991. The increase in net sales was primarily attributable to increased traffic and sales resulting from the Company's acquiring six stores and opening one store during 1991 and completing its 1990 remodeling program during the fourth quarter of 1990 and the first quarter of 1991. In addition, net sales for the 12 weeks ended March 21, 1992 for the Company's continuing stores increased .7% over the comparable prior period.

Cost and Expenses. Gross profit as a percentage of sales for the 12 weeks ended March 21, 1992 decreased to 26.0% compared to 27.0% for the corresponding period of 1991. The decrease in gross profit margin is principally the result of increased cost of sales due to higher markdowns resulting from the Company's doubling vendor coupons up to $1.00 in value. The Company doubled vendor coupons in response to competitive pressures in order to maintain market share. In addition, the decrease in gross profit margin is partially attributable to the heavy inventory shortages experienced in the Company's stores during the first quarter of 1992. Management is currently evaluating its inventory procedures to determine the causes of such inventory shortages and, once such causes are identified, management intends to implement procedures to alleviate such shortages in future periods.

Gross profit without regard to warehouse and transportation costs as a percentage of sales decreased to 28.4% for the 12 weeks ended March 21, 1992 compared to 29.5% for the comparable prior period. This decrease is due primarily to the pricing actions implemented by the Company and the inventory shortages experienced at the Company's stores during the first quarter of 1992.

Selling and administrative expenses as a percentage of sales decreased to 22.7% for the 12 weeks ended March 21, 1992 from 23.5% for the comparable prior period. This decrease is principally the result of management's focusing its efforts on expense control, including the implementation of a staff reduction in January 1992.

In March 1992, the Company decided to discontinue its transportation operations and outsource its transportation function pursuant to a transportation agreement with Drake Refrigerated Lines, Inc. This transportation agreement, which is expected to become effective May 24, 1992, is expected to result in greater efficiencies and lower costs to the Company. See "Item 5 -- Other Information" for a description of this transportation agreement and related matters.

Operating Income. Operating income for the 12 weeks ended March 21, 1992 remained relatively constant as compared to the corresponding period of 1991. The Company's ability to maintain its operating profit in a depressed Oklahoma economy is primarily attributable to its efforts in the areas of expense control, purchasing, shelf allocation, warehouse inventory control, investment buying and backhauling, and the increased proportion in the sales mix of higher margin items, combined with increased traffic and sales.

Interest Expense. Interest expense for the 12 weeks ended March 21, 1992 decreased 5.0% compared to the corresponding period of 1991, due primarily to lower interest rates.

Income Tax Provision. As a result of the utilization of net operating loss carryforwards, the Company recorded no provision for income taxes in the 12 weeks ended March 21, 1992. The income tax provision for the corresponding period of 1991 was $217,000.

Income or Loss. Net income during the 12 weeks ended March 21, 1992 decreased to $355,000 from $1.0 million for the comparable prior period. This decrease was the result of the net effect of certain extraordinary items of approximately $1.1 million. These extraordinary items included the payment of approximately $1.2 million in premiums on the repurchase of $12.3 million in aggregate principal amount of the Company's 15-1/2% Subordinated Notes due November 1, 1997 (the "Subordinated Notes") at a purchase price of 110% of the outstanding principal amount. The extraordinary items also included $371,000 in unamortized financing costs related to the Subordinated Notes, and a credit for the discount of $500,000 on the Company's prepayment of $1.5 million on the $5 million note payable to Furr's, Inc. ("Furr's") issued in connection with the Company's acquisition of certain stores from Furr's in September 1991.

Liquidity and Capital Resources

The major sources of liquidity in the past for the Company's operations and expansion have been internally generated funds and borrowings under a revolving credit facility. In March 1992, the Company refinanced its indebtedness through the issuance of $45 million in aggregate principal amount of Series A Senior Secured Floating Rate Notes due 1997, bearing interest at a floating rate of 300 basis points over LIBOR (the "Senior Floating Rate Notes"), and $75 million in aggregate principal amount of Series B Senior Secured Fixed Rate Notes due 1999, bearing interest at 11-3/4% per annum (the "Senior Fixed Rate Notes," and together with the Senior Floating Rate Notes, the "Senior Notes").

Of the net proceeds from the issuance of the Senior Notes, $59.7 million was used to repay amounts outstanding under the term loan facility under the Credit Agreement dated as of November 24, 1987 among Homeland, Manufacturers Hanover Trust Company, as agent, and certain other banks (the "Prior Credit Agreement"), and $22.5 million was used to repay amounts outstanding under the revolving credit facility under the Prior Credit Agreement. In addition, the Company used $1.5 million of the net proceeds from the issuance of the Senior Notes to make a cash prepayment on the Company's $5 million note payable to Furr's issued in connection with the Company's acquisition of certain stores from Furr's in September 1991. The Company also used $13.5 million of net proceeds from the issuance of the Senior Notes to purchase from certain purchasers of the Senior Notes $12.3 million in aggregate principal amount of the Subordinated Notes at a purchase price of 110% of the outstanding principal amount. The balance of the net proceeds from the issuance of the Senior Notes will be used to repurchase or redeem a portion of the Subordinated Notes that remain outstanding and for working capital and other general corporate purposes. The Senior Fixed Rate Notes are not redeemable by the Company until on or after March 1, 1997. The indenture pursuant to which the Senior Notes were issued requires the Company to have a cash reserve of at least $15 million on November 30, 1992.

Also in March 1992, the Company entered into a Revolving Credit Agreement (the "Revolving Credit Agreement") with Union Bank of Switzerland, New York Branch ("UBS"), as agent and as lender, and any other lenders and other financial institutions thereafter parties thereto. The Revolving Credit Agreement provides a commitment of up to $10 million in revolving credit loans, including a swing

loan and certain letters of credit increasing by an additional $40 million if the Company redeems all of the Subordinated Notes on or before March 1, 1993 and satisfies certain other conditions. The Revolving Credit Agreement limits borrowings (other than cash-collateralized letters of credit) to a maximum of $8 million in aggregate principal amount until the Subordinated Notes are redeemed and certain other conditions are met. Among these conditions is the limitation that such borrowings in excess of such amount are not permitted if at the time of borrowing EBITDA (as defined in the Revolving Credit Agreement) for the 12-month period ending on September 5, 1992 is less than $38.0 million. The Revolving Credit Agreement by its terms permits borrowings (a) to redeem or repurchase the Subordinated Notes only if all then outstanding Subordinated Notes are then so redeemed or repurchased, (b) for working capital purposes and (c) subject to certain conditions, for corporate acquisitions. Borrowings under the Revolving Credit Agreement bear interest at the UBS base rate plus 1.5% or at an adjusted Eurodollar rate plus 2.5%, which rates are subject to increase upon certain conditions. All borrowings under the Revolving Credit Agreement are subject to a borrowing base and mature no later than March 2, 1997.

Holding has guaranteed the obligations of Homeland under the Senior Notes, and such guarantee is secured by Holding's pledge of 100% of the stock of Homeland. Holding has also guaranteed up to $5 million of Homeland's obligations to UBS and any other lenders under the Revolving Credit Agreement. Commencing each year on and after June 1, 1993, if no Subordinated Notes are outstanding, Homeland must apply 80% of its Excess Cash Flow (as defined in the indenture pursuant to which the Senior Notes were issued), after accounting for reductions in amounts outstanding under the Revolving Credit Agreement, to prepay the Senior Floating Rate Notes. Additionally, Homeland must apply net proceeds of asset dispositions (other than sales of inventory and certain other property in the ordinary course of business and certain other excepted dispositions) to prepay indebtedness under the Senior Notes, the Subordinated Notes and/or the Revolving Credit Agreement. Homeland's receipt of net proceeds from certain asset sales over $10 million will reduce amounts available for borrowing under the Revolving Credit Agreement.

Although the Company has structured the refinancing to enable it to redeem or repurchase all of its Subordinated Notes and currently plans to complete such redemption or repurchase, there is no assurance that the financial and other conditions to effect any such redemption or repurchase will be fulfilled or that the Company will

complete any such redemption or repurchase in light of then-existing business conditions.

During the first quarter of 1992, the Company exercised its repurchase rights to repurchase an aggregate of 190,500 shares of its common stock at $2.41 per share from former key employees.

PART II - OTHER INFORMATION

Item 5. Other Information

In March 1992, the Company decided to discontinue its transportation operations and entered into a transportation agreement with Drake Refrigerated Lines, Inc. (the "Transportation Agreement"). The Company's decision to outsource its transportation function is consistent with the Company's trend toward outsourcing certain support functions such as data processing and supply of bakery products. Pursuant to the Transportation Agreement, which is expected to become effective May 24, 1992, the Company may at its option sell all of its trailers to Drake and Drake will provide all transportation services for Homeland products through a network of independent drivers. The annual transportation charges under the Transportation Agreement are expected to range from approximately $6.5 million to $8 million. The Transportation Agreement is for a term of five years and is terminable by either party on six months' notice and upon certain other conditions. If the Transportation Agreement is terminated prior to the expiration of the five-year term, the Company is obligated to repurchase the trailers at their depreciated book value. Management believes that the Transportation Agreement will result in greater efficiencies and lower costs to the Company.

Homeland has 161 transportation operations employees whose employment would be affected upon the effectiveness of the Transportation Agreement. Approximately 128 of such employees are drivers, many of whom are expected to be given the opportunity to purchase Homeland's tractors currently used for its transportation operations and to become independent owner-operators for Drake. These drivers are members of the International Brotherhood of Teamsters (the "Teamsters"), whose current contract with the Company expires in July 1992. On March 25, 1992, the Company commenced negotiations with the Teamsters regarding its

decision to discontinue the transportation operations and cause the Transportation Agreement to become effective and the effects of such decision on the affected employees. The Company has expressed to the Teamsters a willingness to enter into an employment termination and shutdown agreement with the Teamsters. However, the Company cannot now anticipate the outcome of such negotiations or the effect thereof on the Company and its operations.

The Company has requested a waiver of the limitations on disposition of assets under the Revolving Credit Agreement to enable the Company to sell its tractors and trailers pursuant to the Transportation Agreement. Although there is no assurance that such a waiver will be granted, management believes, and UBS has orally confirmed, that the Company will be able to obtain such a waiver.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: No exhibits are filed as part of this Report.

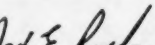
(b) Reports on Form 8-K: No reports on Form 8-K were filed during the quarter ended March 21, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

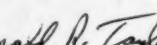
HOMELAND HOLDING CORPORATION

Date: April 30, 1992

By: 

Max E. Raydon, President, Chief Executive Officer and Director (Principal Executive Officer)

Date: April 30, 1992

By: 

Donald R. Taylor, Vice President - Finance, Treasurer and Secretary (Principal Financial and Accounting Officer)